

## Arizona Community Colleges

	FY 2013 ACTUAL	FY 2014 ESTIMATE	FY 2015 APPROVED
<b>SPECIAL LINE ITEMS</b>			
Operating State Aid			
Cochise	5,784,600	5,710,100	5,343,400
Coconino	1,847,900	1,840,400	1,775,800
Gila	410,000	370,700	346,300
Graham	2,373,200	2,345,700	2,261,300
Maricopa	8,315,700	7,913,300	7,409,500
Mohave	1,785,600	1,659,400	1,543,300
Navajo	1,689,700	1,646,600	1,618,200
Pima	7,353,500	7,136,600	6,493,500
Pinal	2,107,800	2,135,000	2,023,900
Santa Cruz	63,500	58,700	47,900
Yavapai	957,600	893,900	887,000
Yuma/La Paz	2,802,600	2,754,400	2,726,600
<i>Subtotal - Operating State Aid</i>	35,491,700	34,464,800	32,476,700
STEM and Workforce Programs State Aid			
Cochise	0	450,400	1,236,700
Coconino	0	147,500	426,900
Gila	0	50,000	142,800
Graham	0	218,100	640,500
Maricopa	0	0	1,400,000
Mohave	0	211,700	593,700
Navajo	0	122,600	375,400
Pima	0	0	600,000
Pinal	0	257,700	1,009,300
Santa Cruz	0	16,700	45,400
Yavapai	0	248,600	802,900
Yuma/La Paz	0	276,700	882,500
<i>Subtotal - STEM and Workforce Programs State Aid</i>	0	2,000,000	8,156,100
Equalization Aid			
Cochise	5,614,700	4,712,400	3,870,500
Graham	16,867,300	16,075,100	15,025,500
Navajo	5,370,100	5,514,200	5,283,300
<i>Subtotal - Equalization Aid</i>	27,852,100	26,301,700	24,179,300
Rural County Allocation	2,990,200	3,268,400 <sup>1/</sup>	3,195,500 <sup>2/</sup>
Rural County Reimbursement Subsidy	848,800	848,800	1,273,800 <sup>3/</sup>
Tribal Community Colleges	1,750,000	2,625,000	2,625,000 <sup>4/</sup>
<b>AGENCY TOTAL</b>	<b>68,932,800</b>	<b>69,508,700</b>	<b>71,906,400<sup>5/</sup></b>
<b>FUND SOURCES</b>			
General Fund	68,932,800	69,508,700	71,906,400
<b>SUBTOTAL - Appropriated Funds</b>	<b>68,932,800</b>	<b>69,508,700</b>	<b>71,906,400</b>
Other Non-Appropriated Funds	15,592,900	16,470,400	16,470,400
<b>TOTAL - ALL SOURCES</b>	<b>84,525,700</b>	<b>85,979,100</b>	<b>88,376,800</b>

<sup>1/</sup> Each year, the Rural County Allocation is determined by enrollment counts submitted to the JLBC Staff. The JLBC Staff is required to report the county withholdings to the Treasurer by May 15 for the upcoming fiscal year. In May 2013, the JLBC Staff reported the amount to be \$3,273,100. The amount was subsequently revised to \$3,268,400.

**AGENCY DESCRIPTION** — The Arizona community college system is comprised of 10 college districts and 2 provisional districts. Arizona’s community colleges provide programs and training in the arts, sciences and humanities, and vocational education leading to an Associates degree, Certificate of Completion, or transfer to a Baccalaureate degree-granting college or university.

**Operating State Aid**

The budget includes \$32,476,700 from the General Fund in FY 2015 for Operating State Aid. This amount funds the following adjustments:

**Formula Decreases**

The budget includes a decrease of \$(1,988,100) from the General Fund in FY 2015 to fund the statutory formula for Operating State Aid.

This amount funds statutory formula costs for a (7,557), or (5.3%), decrease in Full Time Student Equivalent (FTSE) students in community colleges statewide (see Table 1). The (7,557) net FTSE decrease consists of a (7,894) FTSE decrease in non-dual enrollment students and a 337 FTSE increase in dual enrollment students. A.R.S. § 15-1466.01 requires dual enrollment students be funded at 50% for state aid purposes. Dual enrollment refers to high school students who are enrolled in community college courses for both high school and community college credit.

**Table 1**

Community College Enrollment			
	FY 2012	FY 2013	Percentage
District	FTSE	FTSE	Change
Cochise	9,210	7,766	(15.7)%
Coconino	2,355	2,099	(10.9)%
Gila	790	703	(11.0)%
Graham	3,433	3,107	(9.5)%
Maricopa	83,024	81,218	(2.2)%
Mohave	3,450	2,987	(13.4)%
Navajo	2,070	1,962	(5.2)%
Pima	22,028	19,514	(11.4)%
Pinal	5,246	4,822	(8.1)%
Santa Cruz	258	218	(15.5)%
Yavapai	3,974	3,984	0.3%
Yuma/La Paz	5,636	5,537	(1.8)%
<b>Total</b>	<b>141,474</b>	<b>133,917</b>	<b>(5.3)%</b>

*Background* – The Operating State Aid Special Line Items provide each community college district with funds for continuing operating and maintenance expenses pursuant to A.R.S. § 15-1466. The Operating State Aid formula

adjusts state aid in an amount that reflects changes in the FTSE enrollment count. This enrollment adjustment is calculated by multiplying the change in the most recent year’s actual FTSE for each district by the average state aid per FTSE appropriated in the current fiscal year. (For FY 2015, the last actual FTSE data was from FY 2013.)

**STEM and Workforce Programs State Aid**

The budget includes \$8,156,100 from the General Fund in FY 2015 for Science, Technology, Engineering and Mathematics (STEM) and Workforce Programs State Aid (formerly Capital Outlay State Aid). This amount funds the following adjustments:

**STEM Aid Increases**

The budget includes an increase of \$6,156,100 from the General Fund in FY 2015 for STEM and Workforce Programs State Aid.

In FY 2014 \$2,000,000 of STEM funding was added to the budget for rural districts (excluding Maricopa and Pima). While \$2,000,000 was less than the full formula amount, it was the first STEM/Capital Outlay funding since FY 2009. In FY 2015, the budget includes \$4,156,100 to fully fund the STEM formula for rural districts at \$6,156,100. The budget also includes \$2,000,000 for Maricopa and Pima (\$1,400,000 and \$600,000 respectively).

The Education Budget Reconciliation Bill (BRB) (Laws 2014, Chapter 16) suspends the STEM and Workforce Programs aid formula in A.R.S. § 15-1464 for FY 2015 and instead funds the amounts specified in the General Appropriation Act, which totals \$8,156,100. The FY 2015 suspension forgoes \$11,266,600 in aid for Maricopa and \$2,507,800 for Pima.

*Background* – The STEM and Workforce Programs Special Line Items provide the community college districts with funds for partnerships, faculty, technology equipment, student services, facilities, and property needs pursuant to A.R.S. § 15-1464.

- 2/ A.R.S. § 15-1469.01 provides that the General Fund will pay the initial cost of students attending community colleges who are from counties that are not part of an established community college district, and then the state will withhold these counties’ sales tax revenues to offset that cost. In FY 2015 the JLBC Staff calculates that amount to be \$3,195,500. Because this appropriation is in permanent statute, it is not included in the General Appropriation Act.
- 3/ Of the \$1,273,800 appropriated to the Rural County Reimbursement Subsidy line item, Apache County receives \$699,300 and Greenlee County \$574,500. (General Appropriation Act footnote)
- 4/ A.R.S. § 42-5031.01 directs the State Treasurer to annually transmit to the tribal colleges 10% of Transaction Privilege Tax (TPT) revenues collected from sources located on the reservation, or \$1,750,000, whichever is less, as well as 5% of TPT revenues collected on the reservation, or \$875,000, whichever is less, to a technical college on the same reservation. Because this appropriation is in permanent statute, it is not included in the General Appropriation Act.
- 5/ General Appropriation Act funds are appropriated as District-by-District Special Line Items.

The STEM and Workforce Programs State Aid formula provides per capita funding to districts based on the district's size and the most recent year's actual audited FTSE. The statutory formula provides \$210 per FTSE for districts with 5,000 or less FTSE or \$160 per FTSE for districts with greater than 5,000 FTSE.

### Equalization Aid

The budget includes \$24,179,300 from the General Fund in FY 2015 for Equalization Aid. This amount funds the following adjustments:

#### Formula Decreases

The budget includes a decrease of \$(2,122,400) from the General Fund in FY 2015 to reflect reduced formula costs for funding Equalization Aid due to assessed valuation changes. Detail of specific district changes is shown in Table 2.

District	FY 2014	Year-over-Year Change	FY 2015
Cochise	\$ 4,712,400	\$(841,900)	\$3,870,500
Graham	16,075,100	(1,049,600)	15,025,500
Navajo	5,514,200	(230,900)	5,283,300
<b>Total</b>	<b>\$26,301,700</b>	<b>\$(2,122,400)</b>	<b>\$24,179,300</b>

*Background* – The Equalization Special Line Items provide additional state aid to community college districts with property tax bases that are less than the minimum assessed value specified in A.R.S. § 15-1402. Under the Equalization Aid formula, the minimum assessed valuation is revised by the average change in actual assessed valuation for the most recent year for all rural districts with populations of less than 500,000 persons. For the FY 2015 Equalization Aid formula calculation, the minimum assessed valuation decreased (6.8)% to \$1.29 billion. (See Table 3 for the calculation of the growth rate.)

District	TY 2012 Primary AV	TY 2013 Primary AV	TY 2012-2013 % Growth
Cochise*	\$1,038,327,100	\$1,006,475,400	(3.1)%
Graham*	208,931,300	192,240,700	(8.0)%
Navajo*	974,292,400	903,351,900	(7.3)%
Coconino	1,747,818,100	1,519,086,300	(13.1)%
Mohave	1,791,765,200	1,771,371,900	(1.1)%
Pinal	2,153,783,700	1,988,882,400	(7.7)%
Yavapai	2,405,473,700	2,232,629,600	(7.2)%
Yuma/LaPaz	1,414,564,000	1,328,950,800	(6.1)%
<b>Total</b>	<b>\$11,734,955,500</b>	<b>\$10,942,989,000</b>	<b>(6.8)%</b>
<b>Minimum AV</b>	<b>\$1,382,299,300</b>	<b>\$1,288,994,100</b>	<b>(6.8)%</b>

\* These districts qualify to receive Equalization Aid under the state funding formula.

Equalization Aid is paid based on the difference between the minimum assessed valuation and the most recent actual assessed valuation for the district. Equalization Aid is calculated at the lesser of \$1.37 per \$100 of the district's assessed valuation or the district's levy rate.

As noted in Table 3, the average rural district assessed value declined by (6.8)%, in TY 2013. In comparison, Cochise declined by (3.1)%, Graham declined by (8.0)%, and Navajo declined by (7.3)%. By not declining as much as the average districts or by having an assessed valuation that comes closer to the minimum assessed value than in the previous year, Cochise, Graham, and Navajo qualify for less aid in FY 2015 than in FY 2014.

In any one year a district's equalization assistance will depend on 1) whether the district falls below the minimum threshold (\$1.29 billion in FY 2015) and 2) whether the district's change in assessed value was less than the rural districts' average and 3) the applicable tax rate.

### Rural County Allocation

The budget includes \$3,195,500 from the General Fund in FY 2015 for Rural County Allocation. This amount funds the following adjustments:

#### Formula Decreases

The budget includes a decrease of \$(72,900) from the General Fund in FY 2015 to reflect reduced formula costs for funding Rural County Allocation.

*Background* - The Rural County Allocation Special Line Item facilitates payment to community college districts for students enrolled from counties that are not a part of an established community college district. If a county is not part of a community college district, it is responsible for the cost of their students attending community college in another county. A.R.S. § 15-1469.01 provides that the General Fund will pay the initial cost for these counties and then the state will withhold these counties' sales tax revenues to offset that cost; therefore there is no net General Fund impact. The FY 2013 expenditure of \$2,990,200 was offset by corresponding reductions in the counties' sales tax apportionment. The payments made on behalf of the counties are not included in county expenditure limits established in the Arizona Constitution. The county payments are partially offset by a state subsidy. (See next Special Line Item.)

Each year, the amount is determined by enrollment counts submitted to the JLBC Staff. The JLBC Staff is required by A.R.S. § 1469D to report the county withholdings to the Treasurer by May 15 for the upcoming fiscal year. In May 2014, the JLBC Staff reported the amount to be \$3,195,500.

**Table 4**

**Total Estimated Community College Revenues – FY 2014**

<u>District</u>	<u>State Aid</u>	<u>Tuition/Fees</u>	<u>Property Taxes</u>	<u>Grants</u>	<u>Other</u> <sup>1/</sup>	<u>FY 2014 Total</u> <sup>2/</sup>	<u>FY 2013 Total</u> <sup>3/</sup>	<u>% Change from FY 2013</u>
Cochise	\$10,872,900	\$8,667,900	\$18,627,900	\$17,827,900	\$1,608,100	\$57,604,700	\$49,010,700	17.5%
Coconino	1,987,900	7,442,700	8,947,800	6,696,200	977,600	26,052,200	24,874,800	4.7%
Gila <sup>4/</sup>	420,700	0	3,814,300	130,000	475,000	4,840,000	4,547,400	6.4%
Graham	18,638,900	7,615,500	5,267,700	12,000,000	8,577,700	52,099,800	44,314,800	17.6%
Maricopa	7,913,300	299,209,500	491,865,800	319,070,800	56,443,900	1,174,503,300	978,474,000	20.0%
Mohave	1,871,100	10,220,200	20,413,300	19,559,200	300,500	52,364,300	51,136,000	2.4%
Navajo	7,283,400	4,755,000	13,341,300	6,400,000	2,331,000	34,110,700	33,541,100	1.7%
Pima	7,136,600	55,835,000	97,772,000	79,431,000	5,558,000	245,732,600	212,568,400	15.6%
Pinal	2,392,700	12,855,000	42,437,300	25,800,000	(26,487,200)	56,997,800	78,683,900	(27.6)%
Santa Cruz <sup>4/</sup>	75,400	0	1,421,100	25,000	10,500	1,532,000	369,200	315.0%
Yavapai	1,142,500	11,310,000	45,803,400	14,536,000	4,395,700	77,187,600	75,169,700	2.7%
Yuma/La Paz	3,031,100	13,507,600	30,128,100	20,000,000	4,063,500	70,730,300	78,912,500	(10.4)%
<b>Total</b>	<b>\$62,766,500</b>	<b>\$431,418,400</b>	<b>\$779,840,000</b>	<b>\$521,476,100</b>	<b>\$58,254,300</b>	<b>\$1,853,755,300</b>	<b>\$1,631,602,500</b>	<b>13.6%</b>

<sup>1/</sup> Includes auxiliary programs, interest income, workforce development funds, and transfers.

<sup>2/</sup> Total revenues do not include bond proceeds or district fund balances. Including these amounts total revenues are estimated to be \$2,515,682,800 for FY 2014.

<sup>3/</sup> Total revenues do not include bond proceeds or district fund balances. Including these amounts total revenues are \$1,909,789,700 for FY 2013.

<sup>4/</sup> Gila Provisional Community College contracts with Graham County's Eastern Arizona College in order to provide degree programs. Therefore, Gila's tuition and fee revenues are collected by Graham according to their contract agreement. Santa Cruz Provisional Community College contracts with Cochise County's Community College in order to provide degree programs. Therefore, Santa Cruz's tuition and fee revenues are collected by Cochise according to their contract agreement.

Monies for the Rural County Allocation are authorized by A.R.S. § 15-1469.01, and therefore do not appear in the General Appropriation Act.

**Rural County Reimbursement Subsidy**

The budget includes \$1,273,800 from the General Fund in FY 2015 for Rural County Reimbursement Subsidy. This amount funds the following adjustments:

**Subsidy Increase**

The budget includes an increase of \$425,000 from the General Fund in FY 2015 for Rural County Reimbursement Subsidy.

This funding partially offsets the cost to counties that are not part of an established community college district. The funding is appropriated to Apache and Greenlee Counties. The FY 2015 budget allocates \$699,300 to Apache and \$574,500 to Greenlee. The additional \$425,000 was proportionally distributed to the 2 counties based on the FY 2014 base allocation.

**Tribal Community Colleges**

The budget includes \$2,625,000 from the General Fund in FY 2015 for Tribal Community Colleges. This amount is unchanged from FY 2014.

*Background* – A.R.S. § 42-5031.01 allows any qualifying tribal community college to receive \$1,750,000, or 10% of the Transaction Privilege Tax (TPT) revenues collected from all sources located on the reservation, whichever is less. These monies provide tribal community colleges

with funding for maintenance, renewal, and capital expenses. A.R.S. § 42-5031.01 also allows any additional technical college located on the same reservation to receive \$875,000, or 5% of the TPT revenues collected from sources located on the reservation, whichever is less, starting in FY 2014. Actual amounts for FY 2015 will depend on FY 2015 collections. Given the language of A.R.S. § 42-5031.01, these monies do not appear in the General Appropriation Act.

This funding is limited to tribes that entered into a compact with the Executive prior to September 1, 2012. Diné College and Navajo Technical College on the Navajo Nation are the only schools that currently qualify to receive TPT revenues.

The budget assumes that \$1,750,000 will be distributed to Diné College and \$875,000 will be distributed to Navajo Technical College in FY 2015. These amounts represent 10% and 5%, up to \$1,750,000 and \$875,000, respectively, of the estimated TPT revenues to be collected in the Navajo reservation in FY 2015.

**Other Issues**

**Community College Revenue Sources**

In addition to state General Fund monies, Arizona's community colleges receive revenues from a number of other sources, including student tuition and fees, local property taxes, grants, and other monies generated by the colleges. Of the total, the community colleges receive 3% of their revenues from state aid.

For FY 2014, base operating revenues from all sources are estimated to be \$1,853,755,300, which would be an increase of 13.6% from FY 2013. (See Table 4 for a summary of FY 2014 total revenue estimates.)

Property taxes are the single largest revenue source for the community colleges, accounting for 42% of their revenues. There are 2 types of property taxes: primary and secondary. For the community colleges, primary property taxes are levied for operating purposes and secondary property taxes are levied to pay for capital outlay expenses. Each community college district determines its primary and secondary property tax rates. (See Table 5 for a summary of FY 2014 property tax rates.)

In November 2012, Arizona voters approved Proposition 117, which will consolidate the primary and secondary tax bases into a single tax base (for purposes of levying taxes) and will cap annual property value increases on any single parcel of real property to 5% starting in FY 2016. The proposition will not limit the community college districts' current ability to generate 2% more in property tax revenues annually, not including revenue from new construction. Any increase over 2% requires voter approval, unless the district has forgone increases in prior years and consolidates those increases into a single year.

Long term property value growth has been approximately 5%. From that perspective, Proposition 117 would tend to reduce the year-to-year volatility in property tax values rather than reduce the dollar amount of long term revenues. However, the property tax base might grow more slowly under Proposition 117 because the property tax values would not be able to increase by more than 5% to offset the years that experience growth that is less than 5%.

To the extent that the property value grows more slowly because of Proposition 117, the community colleges could still generate the same level of revenue by increasing their tax rates.

<u>District</u>	<u>Primary Rate</u>	<u>Secondary Rate</u>	<u>Combined Rate</u>	<u>% Change in Combined Rate from FY 2013</u>
Cochise	\$1.85	\$0.00	\$1.85	6.9%
Coconino	0.46	0.12	0.58	16.0%
Gila	0.87	0.00	0.87	16.0%
Graham	2.74	0.00	2.74	13.7%
Maricopa	1.29	0.24	1.53	10.9%
Mohave	1.15	0.00	1.15	4.5%
Navajo	1.48	0.00	1.48	9.6%
Pima	1.27	0.02	1.29	9.3%
Pinal	1.89	0.36	2.25	19.7%
Santa Cruz	0.42	0.00	0.42	500.0%
Yavapai	1.82	0.22	2.04	7.9%
Yuma/La Paz	1.88	0.34	2.22	8.8%

<u>District</u>	<u>Cost Per Credit Hour</u>	<u>Annual Cost<sup>1/</sup></u>	<u>% Change from FY 2014</u>
Cochise	\$75	\$2,250	2.7%
Coconino	89	2,820	8.0%
Gila	66	1,976	0.0%
Graham	67	2,000	4.2%
Maricopa	84	2,520	3.7%
Mohave	80	2,610	2.4%
Navajo	66	2,060	3.5%
Pima	71	2,300	7.0%
Pinal	80	2,400	3.9%
Santa Cruz	73	2,190	0.0%
Yavapai	72	2,160	2.9%
Yuma/La Paz	76	2,280	5.6%
<b>Weighted Average</b>	<b>\$80</b>	<b>\$2,427</b>	<b>4.0%</b>

<sup>1/</sup> Annual cost is for 30 hours a year, or 15 hours per semester.

The community colleges also collect tuition and fees from enrolled students. These collections account for approximately 23% of total revenues. Tuition and fees are assessed on a per credit hour basis. FY 2015 weighted average tuition (weighted for each district's proportion of the statewide FTSE count) is \$2,427 if a full time student attends for 30 hours a year. The FY 2015 amount represents an increase of 4.0% from FY 2014. (See Table 6 for FY 2015 resident tuition and fee rates.)

Community colleges also receive grants and "other" revenue from a variety of sources. Combined, they account for approximately 31% of community college revenues. Grants traditionally come from the federal government, including: the U.S. Department of Education, Small Business Administration, National Science Foundation, and Health and Human Services. Revenue listed in the "other" category includes auxiliary programs, interest incomes, workforce development funds, and transfers.

**Total Community College Expenditures**

Table 7 shows total budgeted FY 2014 community college expenditures. In FY 2014, total budgeted expenditures are \$2,510,387,200. As mentioned previously, base operating revenues for FY 2014 are \$1,853,755,300; however, this figure does not include allocated fund balances or bond proceeds. Including these amounts, total available revenues are \$2,515,682,800. Of the total \$2,510,387,200 in expenditures, \$1,685,900,300, or 67%, of these expenditures are from the community colleges' general and restricted funds. This includes about \$520,733,100, or 21%, for instruction and \$250,591,100, or 9%, for administrative support.

Expenditures for auxiliary enterprises, including revenue generating retail and business services such as parking lots, book stores, and food service, are \$188,277,600, or 7% of the total. Plant Fund expenditures, which generally

include capital costs, are \$456,664,000, or 18% of the total. The remaining \$179,545,300 is for debt service.

<u>General/Restricted Funds</u>	<u>Total</u>	<u>% of Total</u>
Instruction	\$520,733,100	21%
Public Service	29,223,900	1%
Academic Support	148,919,700	6%
Student Services	151,089,800	6%
Administrative Support	250,591,100	10%
Operation & Maintenance	110,412,600	4%
Scholarships/Grants	395,082,300	16%
Contingency	<u>79,847,800</u>	<u>3%</u>
<b>Subtotal</b>	<b>\$1,685,900,300</b>	<b>67%</b>
Auxiliary Enterprises Fund	\$ 188,277,600	7%
Plant Fund	456,664,000	18%
Debt Service	<u>179,545,300</u>	<u>7%</u>
<b>Total</b>	<b>\$ 2,510,387,200</b>	<b>100%</b>